

## Setting a context

**ISSUE:** This paper is largely an update of information included in the introductory chapter of MedPAC's March 2003 Report to Congress. It is motivated by the Commission's recognition of the importance for policymakers to be aware of the larger context in which Medicare operates and the potential impact of MedPAC's recommendations.

The paper presents Medicare's recent and projected spending trends, discusses the implications of Medicare's spending growth, and compares growth trends among other private and public payers. It also provides some preliminary information on beneficiaries' supplementary insurance coverage.

Future papers will address beneficiaries' access to care and changes over time in beneficiaries' resources and health care liability. Staff plan to present this range of contextual information in an introductory chapter for MedPAC's March report to Congress.

### KEY POINTS:

- Medicare spending is expected to be about \$272.2 billion in 2003, an increase of about 4.3 percent from the year before. This relatively low rate of increase is due to the expiration of many provisions of BBRA and BIPA that increased provider payments. Growth is expected to average about 6 percent annually over the next 10 years, accounting for an increasing share of the federal budget and GDP.
- Spending by private payers continues to increase at double digit rates, but has slowed from its peak in 2001. Premium growth appears to have peaked a year or two later, but is expected to still grow at a double-digit rate in 2004. CalPERS also recently announced a 16.4 percent increase in premiums.
- Increases in hospital spending account for the largest portion of the growth, followed by physicians, and, among private insurers, prescription drugs.
- Most beneficiaries have supplemental sources of insurance to cover the gaps in Medicare coverage. About one-third have employer-sponsored insurance, but this may be eroding particularly among younger elderly beneficiaries.

**ACTION:** Commissioners should provide feedback on the tone and content of the material presented.

**STAFF CONTACT:** Anne Mutti (202-220-3744), Vivek Garg (202-220-3715)